

Review: 4251
Statewide Single Audit
Year Ended June 30, 2005
Department of Children and Family Services

05-03. The auditors recommend DCFS review the current process for reporting financial information to the IOC and implement changes necessary to ensure the timely submission of complete and accurate forms. This process should include a reconciliation of the reporting packages to the accounting system and reports submitted to federal agencies. (Repeated-2002)

Findings: DCFS does not have an adequate process to ensure that financial information submitted to the Illinois Office of the Comptroller (IOC) is accurate and timely.

The State's process for preparing the basic financial statements and the schedule of expenditures of federal awards (SEFA) requires each state agency to complete a series of both automated and manual financial reporting forms (SCO forms) which detail various information by fund. The financial statements are compiled by the IOC. The SCO forms are collected (received) by the IOC and are reviewed for any discrepancies or errors. Once all errors and discrepancies have been resolved with the responsible state agency, the applicable finalized SCO forms are compiled into an electronic data base and forwarded to the Illinois Office of the Auditor General (OAG) for reporting expenditures in the SEFA.

During the review of the financial reporting process, the auditors noted that the DCFS information for the preparation of the State's financial statements and SEFA was not completed in a timely manner. Additionally, several correcting journal entries were required to accurately state amounts reported by DCFS.

In discussing this with DCFS officials, they stated the Department submitted all fiscal year 2005 GAAP packages (SCO Forms) to the State Comptroller's Office within the required deadlines. After the forms were submitted, the Comptroller's Office completed its review and the Department provided the necessary information. The Department completed all its work on the SCO Forms in September 2005 and completed its financial statements including the SEFA in November 2005. Additionally, the SEFA was completed on schedule and no adjustments or clarifications were requested or made. The Department's GAAP (SCO) reporting and SEFA, however, are only initial steps required to complete the State's financial statements and SEFA.

Response: The Department accepts that the statewide process is untimely and may be inaccurate. DCFS strives to provide the information to the Comptroller's office within the stringent timeframes established for it. During the Comptroller review process, changes are discussed and modifications can be made to ensure the statewide process and reporting is consistent. This is part of the overall process and does not indicate inaccurate or untimely reporting on the part of DCFS. DCFS agrees to support efforts by the Office of

REVIEW: 4251

the Comptroller to modernize the financial and grant reporting infrastructure and work with the Office of the Auditor General in those areas.

05-44. The auditors recommend DCFS review its procedures for documenting and executing adoption agreements and implement changes necessary to ensure adoption assistance agreements and final adoption decrees exist for all children for whom adoption subsidy payments and nonrecurring expenditures are claimed.

Findings: DCFS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Adoption Assistance program.

During testwork of Adoption Assistance beneficiary payments, the auditors reviewed 50 case files for compliance with eligibility requirements and allowability of related benefits, and noted the following exceptions:

- In one case, DCFS could not locate the final “adoption decree” evidencing the child was legally adopted. DCFS claimed adoption subsidy payments on behalf of this child totaling \$1,422 during the year ended June 30, 2005.
- In one case, DCFS claimed reimbursement for adoption subsidy payments which were not included in the adoption assistance agreement. Per review of case file documentation, the adoption assistance agreement only provided for the reimbursement of nonrecurring adoption expenses. DCFS claimed adoption subsidy payments on behalf of this child totaling \$2,669 during the year ended June 30, 2005.

In discussing these conditions with DCFS officials, they stated the documents requested were for two adoptions that took place a number of years ago and the documents were thought to have originally been filed in the original foster care case files and put into archives. When those files were retrieved, the documents were not included and apparently had been misplaced.

Response: The Department agrees and will review procedures for obtaining and retaining the agreements. Changes will be made, if necessary, to ensure adoption assistance agreements and final adoption decrees are retained for all children. The Department will make the appropriate claiming adjustments for actual amounts included in claims relating to the beneficiary payments questioned by the auditor.

05-45. The auditors recommend DCFS review its procedures for obtaining and documenting whether judicial determinations have been made for all beneficiaries. Such procedures should include identifying children who are not eligible for assistance under the Foster Care program as a result of the required judicial determinations not being made.

REVIEW: 4251

Findings: DCFS did not ensure that required judicial determinations were made in applicable court rulings, including those pertaining to “Reasonable Efforts” and “Contrary to the Welfare.”

The Foster Care Program provides funds to states for the purpose of providing safe, appropriate, 24-hour substitute care for children who are under the jurisdiction of the DCFS. To be eligible for reimbursement under the Foster Care Program, DCFS is required to receive a judicial determination (court ruling) within 60 days as to what living arrangement is in the child’s best interest and whether or not DCFS has made reasonable efforts to prevent removal by following the proper investigative procedures prior to removing the child from the home.

During our testwork over Foster Care beneficiary payments, the auditors selected 50 eligibility files to review for compliance and found three instances of non-compliance with eligibility requirements for the allowability of the related benefits. DCFS claimed reimbursement for foster care maintenance payments made on behalf of these beneficiaries totaling \$9,955 during the year ended June 30, 2005.

In discussing these conditions with DCFS officials, they stated documents supporting one of the judicial determinations requested took place a number of years ago and the document was thought to have originally been filed in the child’s original foster care case file and put into archives. When the file was retrieved, the documents were not included and apparently were misplaced. The other situations may be attributed in part to one or more procedural and court-related issues with which the Department has taken steps to work with the Illinois Courts to ensure required language is used and that hearings are held within required timeframes. It should be noted that two of the cases cited in this finding were also included in the prior finding, listed above.

Response: The Department agrees and will review procedures for obtaining and retaining documents pertaining to judicial determinations. Changes will be made, if necessary, to ensure determinations are made within the required timelines and that required language is included in agreements. The Department will make the appropriate claiming adjustments for actual amounts included in claims relating to the beneficiary payments questioned by the auditor.

05-46. The auditors recommend DCFS implement procedures to monitor whether or not permanency hearings have been performed for all beneficiaries within federally prescribed timeframes. Such procedures should include identifying children who are not eligible for assistance under the Foster Care program as a result of permanency hearings not being performed within required timeframes. (Repeated-2002)

Findings: DCFS did not ensure that foster care permanency hearings were performed within the federally required timeframes.

REVIEW: 4251

DCFS is required to prepare a “permanency plan” for each child in the Foster Care Program which includes goals for placement of the child in a permanent living arrangement. This plan must also include the services that DCFS expects to perform to achieve these goals. Currently, each child’s permanency plan is reviewed on a periodic basis at a permanency hearing which serves as the judicial determination that reasonable efforts to finalize the permanency plan have been made.

During testwork of 50 case files of the Foster Care Program, the auditors noted permanency hearings were not performed within the required timeframe for two of the beneficiaries tested, with delays of 75 days and 110 days. DCFS claimed reimbursement for foster care maintenance payments made on the behalf of the two beneficiaries during the “period of ineligibility” totaling \$564. Additionally, DCFS does not have an adequate process in place to ensure permanency hearings were completed within required timeframes for all beneficiaries or to identify beneficiaries for whom permanency hearings had not been conducted.

In discussing these conditions with DCFS officials, they stated the delays being experienced, as indicated in the sample, may be attributed in part to one or more court-related issues with which the Department has taken steps to work with the Illinois Courts to ensure required language is used. The origin of these delays was a result of a federal requirement for specific language for permanency hearings, which required further clarification by ACF, and resulted in confusion as to the timeframe specifics of those requirements.

Response: The Department agrees and has developed and implemented a procedure for identifying and notifying foster and adoptive caretakers of hearings and reviews for permanency hearings. The Department will continue to work with Illinois Court system to ensure permanency hearings meet the federal requirements.

The Department will make the appropriate claiming adjustments for actual amounts included in claims relating to the beneficiary payments questioned by the auditor.

In August 2004, staff from the Central and Regional Offices of the Administration for Children and Families (ACF) and the Illinois Department of Children and Family Services (DCFS) conducted an eligibility review of the Illinois title IV-E foster care program. The review identified only four error cases and two ineligible payment cases. Therefore, because less than five cases were in error, ACF determined that the Illinois’ Title IV-E foster care maintenance program is in substantial compliance with the Federal child and provider eligibility requirements for the period under review. Because Illinois was found to be in substantial compliance, a secondary review was not required. The next primary review must be held in three years.

05-47. The auditors recommend DCFS implement procedures to ensure:

REVIEW: 4251

- OMB Circular A-133 Reports are received within 180 days subsequent to subrecipient's year-end.
- Desk reviews are performed on a timely basis for OMB Circular A-133 reports including review of reports, follow up on subrecipient findings and implementation of corrective action plans, receipt and review of applicable management letters, and documentation of such review.
- On-Site fiscal and administrative reviews include procedures over all compliance requirements that are considered direct and material to the Foster Care program.

Additionally, the auditors recommend DCFS evaluate the current staffing of the fiscal monitoring department to ensure resources are adequate. DCFS should formally document its policy relating to the frequency of on-site monitoring for federal programs. (Repeated-1999)

Findings: DCFS is not adequately performing fiscal monitoring procedures for subrecipients who receive awards under the Temporary Assistance for Needy Families, Foster Care Title IV-E, Adoption Assistance, and Social Services Block Grant programs.

In a sample of 50 subrecipient monitoring files out of a total of 305 subrecipients (totaling \$81.6 million of \$126.1 million in total subrecipient expenditures), the auditors noted the following:

- Nine subrecipients had submitted their required audit reports after the 180-day deadline, or applicable extension approved by DCFS. Three of the nine exceeded the 9-month federal reporting deadline. All nine files either contained no documentation of follow-up by DCFS or the follow-up was not performed within a timely manner.
- Two subrecipient audit reports were not reviewed. After these were identified during our audit, the reports were subsequently reviewed.

Of the 50 subrecipients selected for testwork, on site fiscal and administrative monitoring procedures have never been performed for 42 of the subrecipients. Fiscal and administrative monitoring procedures did not adequately address all direct and material compliance requirements and were only performed for 25 of the 305 total subrecipients.

In discussing these conditions with DCFS officials, they stated procedures are in place to notify subrecipients of audit requirements and track the receipt of all required audits to ensure all required components are received, and to follow-up on all audits that are not received within the required time frame. Providers generally cannot file reports with DCFS until their financial audits, single audits, and federal tax filings are completed; the Department determined that the three late-filed reports were filed with the Department at the time regulatory filings were made with other agencies. The two examples identified of reports not reviewed were isolated incidents and the two reports were subsequently reviewed prior to completion of this audit.

REVIEW: 4251

Response: The Department accepts the finding and has developed and implemented a procedure to track the receipt of all required audits and follow up on all audits that are not received within the required time frame. An initial screening process takes place to let the subrecipients know if any documents are missing. Revisions of Administrative rules that formalize the procedures followed by the Department are in process and posted. DCFS is also implementing a plan to increase staffing to complete quick reviews of all audits that are received. The size of the audit staff was increased by five beginning in April 2004. Subrecipients selected for audit are generated from the desk reviews completed the prior year that have notable negative issues. In addition, the Office of Field Audits has streamlined the desk review process and implemented procedures to insure communications with the Provider Agencies within a 30-day timeframe.

The Department also has programmatic units that perform on-site compliance reviews of subrecipients. As part of their on-site review/field audit process, the auditors meet with the programmatic monitors and the licensing representatives to learn about any potential problems at the subrecipients prior to beginning the audit to aid in determining overall risk and aid in the assignment of resources.

Updated Response: Implemented.

05-48. The auditors recommend DCFS implement procedures to monitor whether or not administrative case reviews have been conducted for all children in foster care within federally prescribed timeframes.

Findings: DCFS did not ensure that administrative case reviews were performed within the federally required timeframes.

DCFS is required to conduct administrative case reviews for each child in the Foster Care Program. Specifically, the status of each child must be reviewed at least once every six months by either a court or by administrative review in order to determine the safety of the child, the continuing necessity for and appropriateness of the placement, the extent of compliance with the case plan, and the extent of progress which has been made toward alleviating or mitigating the causes necessitating placement in foster care, and to project a likely date by which the child may be returned to and safely maintained in the home or placed for adoption or legal guardianship.

During testwork over 50 case files of the Foster Care Program, the auditors noted administrative case reviews were not performed within the required timeframe for three of the beneficiaries tested. The delays ranged between two days and ten days after the required six-month timeframe. Additionally, DCFS does not have an adequate process in place to ensure administrative case reviews were conducted within required timeframes for all beneficiaries.

REVIEW: 4251

In discussing these conditions with DCFS officials, they stated this matter is consistent with the internal audit conducted during 2005 after which the Department implemented recommendations and changes beginning in August 2005. In addition, the reason for apparent noncompliance was an unwritten policy that case reviews will be considered timely if performed within 30 days of the assigned cycle date and the re-scheduled reviews could occur a few days after the end of the sixth month.

Response: The Department agrees and will continue to stress the importance of conducting administrative case reviews within required timeframes. Specific action steps were begun in August 2005 to see that all administrative case reviews be performed in required intervals, that family meetings are properly addressed, and that corrective action plans are monitored for follow-up activity.

Updated Response: Implemented.

5-49. The auditors recommend DCFS implement procedures to ensure only expenditures made for allowable costs are claimed. These procedures should include a review of the coding of expenditures paid through the Court of Claims by an individual knowledgeable of the claiming requirements under the Foster Care program.

Findings: DCFS claimed expenditures that are unallowable under the Foster Care Title IV-E program.

During testwork of beneficiary payments of the Foster Care Program, the auditors selected fifty payments totaling \$23,325 and noted one payment of \$4,600 that was for reimbursement of college tuition paid on behalf of a ward, which is an unallowable cost. As DCFS claimed reimbursement for 50% of the payment, the amount considered to be unallowable is \$2,300.

In discussing these conditions with DCFS officials, they stated the cost was incurred during FY99 and not paid by DCFS. It was subsequently awarded and paid by the Illinois Court of Claims in April 2003 and reported to the Department. The claiming of the unallowable cost resulted from an improper coding of the expenditure as book and school fees, and an oversight in the review over the coding of the transaction when recording entries for payments made by the Court.

Response: The Department agrees that adjustments should be reviewed and has modified procedures for processing and recording such adjustments to detect and prevent recording of inappropriate costs. The Department will make the appropriate claiming adjustment for the transaction amount inappropriately included in the claim.

05-50. The auditors recommend DCFS implement procedures to ensure the payroll classifications (codes) are updated in the payroll system on a timely basis. Additionally, DCFS should evaluate the current staffing of the payroll department to ensure resources are adequate.

Findings: DCFS did not properly classify employees in the Public Assistance Cost Allocation Plan (PACAP).

DCFS administers several federal and state programs to protect and serve the welfare of the State's children. In administering each of these programs, DCFS incurs significant expenditures, which are directly and indirectly attributable to the administration of its programs. DCFS has submitted a cost allocation plan (PACAP) to the US Department of Health and Human Services describing its overall organizational structure, the federal programs it administers, and the methodologies it has developed to allocate administrative expenditures to its federal programs. The PACAP is submitted to USDHHS periodically for review and approval.

During the review of 60 payroll expenditures totaling \$885,705 allocated to federal programs during the year ended June 30, 2005, the auditors noted seven employees were not properly classified (coded) based on their current position. One of the seven employees was improperly classified as a direct employee instead of indirect. In this case, the employee's payroll should have been allocated to federal programs through the indirect cost allocation plan, rather than as a direct charge through the PACAP. Total payroll and fringe benefit costs for this employee during the year ended June 30, 2005 were \$56,315.

In discussing these conditions with DCFS staff, they stated the employee classification codes are not always received by the payroll unit and updated in the payroll system in a timely manner due, in part, to a lack of staffing in the payroll unit. Had the correct codes been used for the seven instances identified during the audit, the amount claimed for the year would have increased by \$740.

Response: The Department agrees and has implemented a process to input all unprocessed paper documents in the payroll unit and bring automated system record up-to-date. The increase in the claim amount was included in the March 2006 claim.

Updated Response: Implemented.

05-51. The auditors recommend DCFS stress the importance of preparing and completing the initial service plans timely to all caseworkers to comply with Federal requirements. (Repeated-1999)

Findings: DCFS did not prepare initial case plans in a timely manner for Child Welfare Services beneficiaries.

REVIEW: 4251

The case plan serves as DCFS' written documentation of the services planned for each child taken into protective custody. Federal regulations require that an initial case plan must be developed for each child within 60 days of placement. During a review of 50 case files selected for testwork, the auditors noted 11 of the initial case plans being completed within a range of two to 83 days over the 60-day federal requirement. Additionally, in two cases an initial case service plan was not included in the child's case file at the time of review nor could it be located by DCFS personnel.

In discussing these conditions with DCFS officials, they stated timely preparation of case plans is always a concern. Unfortunately, due to staff reductions and placement changes, there are times when case plans are not prepared within the established timeframes.

Response: The Department agrees and continues to stress the importance of adequate and timely documentation for child case files. Based on the fundamentals of good social work practice, requirements of the Council of Accreditation, and Federal Review Outcomes, Illinois is implementing an Integrated Assessment program that includes preparation of a comprehensive service plan. The service plan will be part of an integrated system that will automate preparation of the plan and other required documentation. In the interim, we continue to stress the importance of adequate and timely case planning as a key component of providing quality service to children.

Updated Response: Implemented.